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DIRECTORATE OF INTELLIGENCE

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INDO-SOVIET RELATIONS ON THE EVE OF RAJIV'S VISIT TO MOSCOW

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Summary

Rajiv Gandhi will be making his first substantive visit to the USSR as Prime Minister this week amid concern in Moscow about his suspected personal tilt toward the West and the direction India will take under his leadership. Rajiv recognizes the important role the Soviets have played in developing the Indian military and economy and is particularly aware of the high costs of losing the unique relationship India has with Moscow on arms. We expect him to look increasingly to the West for economic and even some military technology, but we doubt that improved relations with the United States will come at the expense of India's Soviet ties. Moscow regards India as its most important success in the Third World and has demonstrated it is prepared to pay a high price to sustain the relationship. We expect the Soviets to go all out at the summit to reinforce their special ties to India.

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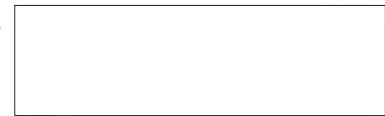
This memorandum was prepared by the Office of Near Eastern and South Asian Analysis and the Office of Soviet Analysis. It was coordinated with the Directorate of Operations. Information as of 15 May 1985 was used in its preparation. Comments and queries are welcome and may be addressed to the Chief, South Asia Division, NESA,

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In his six months as Prime Minister, Rajiv Gandhi has adopted a more evenhanded approach toward the superpowers. He has spoken positively about Indo-Soviet relations, but he also has said he does not wish to perpetuate the impression that India has a special connection to Moscow and believes the "time is right to mend fences with Washington."

Several steps taken by Rajiv illustrate his balanced approach:

-- The Indians publicized the role of Soviet and East Bloc diplomats in the January spy scandal just as they did that of the French. Indira probably would have tried to keep Soviet involvement quiet.

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-- As host for the Nonaligned Six Nation Disarmament Conference in February, Gandhi challenged Moscow as well as the other nuclear powers to mend their ways. Indira rarely referred to the Soviets in similar declarations.

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-- He has virtually dropped the "foreign hand" and another anti-American rhetoric often favored by his mother. For the most part, he has also discouraged Congress Party politicians from using such language in election campaigns and Parliamentary debates.

-- The Soviets, reportedly are also having greater difficulty--presumably at Rajiv's behest--placing disinformation in the Indian press, although their influence in the Indian media remains widespread.

-- New Delhi moved to conclude a Memorandum of Understanding on technology transfer with the United States that will facilitate the flow of Western economic and military technology to India.

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Rajiv has made no significant substantive changes in relations with Moscow, however. He has commented publicly and privately that India's ties with Moscow are "time-tested," and that India will always remember that the Soviet Union stood by it in times of need, such as conflicts with Pakistan.

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The View From Moscow

The Soviets know they have a strong position in India and that the United States has many obstacles to overcome liabilities as it seeks to improve US-Indian relations.

Gandhi's interest in gaining access to Western technology, loosening government control of the economy, and his personal disposition toward the West eventually will lead to a weakening in Indo-Soviet relations. The Soviets have noted the warm reception given to high-ranking US officials in New Delhi with some concern.

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According to sources of the US Embassy in New Delhi, the Soviets believed a Gandhi trip to the USSR would symbolize the primacy of the Indo-Soviet relationship and worked hard to ensure that the new Prime Minister would travel to Moscow before Washington. The Soviets are inundating the Indians with visiting officials and using their massive propaganda apparatus in India to fan suspicions of the United States, China, and Pakistan. Moscow will play on India's suspicions about Pakistani-US relations, Chinese and US goals in South Asia and the Indian Ocean during Rajiv's visit.

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Enduring Military and Economic Ties

The cornerstones in the Indo-Soviet relationship have been Soviet arms sales and economic assistance to New Delhi. Gandhi

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[redacted] recognizes that India's defense establishment and economy have too much at stake for New Delhi to reduce its relations with the USSR significantly. India has purchased over \$7 billion worth of Soviet arms since 1980 on highly concessionary terms--85 percent of the total amount at 2 to 3.5 percent interest with repayment over a period of ten to fifteen years. The Soviets have frequently accepted the risk of compromising some of their latest weapons technology in order to sustain a political foothold in India.

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- Soviet systems delivered to India for the first time since January include T-72M tanks with improved armor and fire control systems, IL-76 long-range transport aircraft, and Long Track mobile air defense radars.
- Indian personnel are training on SA-8 SAM systems, Kilo class diesel submarines, Ka-27 ASW helicopters, and Tu-142 ASW patrol aircraft--all to be delivered in the next few years.

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India's highest military priority is to obtain a fighter comparable to Pakistan's F-16s; for two years New Delhi has been negotiating for the MIG-29. Both sales and coproduction of the aircraft have been under discussion and [redacted] the Soviets were seriously considering a final deal last fall to help boost Indira Gandhi's election prospects. Since Rajiv took over, Moscow appears to have become more reluctant about turning over the 25X1 aircraft, and Indian Defense Minister Rao failed to secure final agreement on the deal during his Soviet visit last month.

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Indo-Soviet economic relations consist largely of the exchange of petroleum and Soviet military equipment for Indian agricultural products and consumer goods. Mutual agreement to balance overall payments--made in rupees

through a clearing account--helps make the Soviet Union one of India's leading markets. It also benefits India by inducing Moscow to buy products Indians would have difficulty selling to other countries. Bilateral trade is expanding again following sharp cutbacks in Soviet purchases during 1983, which were painful for Indian exporters but necessary to compensate for an earlier Soviet buying spree.

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Soviet officials are concerned about Moscow's declining role in Indian industry and the fact that Soviet exports to India rely increasingly on petroleum which now accounts more than 70 percent of India's non-military purchases. During the past four years, they have intensified efforts to sell more machinery and equipment to Indian businessmen, but have met with only limited success.

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As a result, the military relationship will, in our view, become an increasingly important share of overall trade. India's annual payments for Soviet military equipment will probably increase from \$600 million at present to \$1.1 billion by the end of the decade and possibly as much as \$1.8 billion by 1994--equivalent to the current value of Indian exports to Moscow.

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Likely Focus of the Summit

The two sides probably have no set agenda for the talks since there are no contentious bilateral issues that require resolution.

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We believe Gandhi will defend his plans for closer economic ties to the West and his liberalizing reforms while, for balance, calling Moscow's attention to India's foreign policy initiatives on disarmament and the Middle East. Gandhi will probably stress that India wishes to see an end both to the Soviet military presence in Afghanistan and US aid to the resistance.

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The Soviets know they cannot supply all the technology India wants, but precedent suggests they will offer some new economic assistance and make efforts to ensure an expanding economic relationship. We believe Moscow may offer \$300 million in new economic aid for a thermal power project that has been discussed for several years, as well as expanded cooperation in onshore oil exploration and help in modernizing public sector industries originally established with Soviet economic aid. We also expect references to cooperation in scientific research, and renewed offers of cheap credit and buyback arrangements for public and private sector manufacturers who buy Soviet machinery. The Soviets can be expected to contrast Moscow's generosity with Western protectionism and aid cutbacks.

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The two sides probably will not use the summit to discuss arms deals in detail, but may sign some memoranda of understanding on specific weapons systems. Rajiv's schedule indicates he may visit military installations where the Soviets could give him a firsthand look at sophisticated weapons, including the MIG-29.

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The Summit in Perspective

Soviet Party Chief Gorbachev, interested in burnishing his credentials as an international statesman, will try hard to establish a warm personal relationship with Gandhi during this, his first important summit. Both he and Gandhi are likely to avoid tough bargaining in favor of image-building and establishing the rapport that will help prevent slippage or misunderstandings in bilateral relations.

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The Soviets, in our view, believe that concrete results from Rajiv's forthcoming trip to the United States will be few, but fear that the publicity and attention to the trip will add to international impressions of an improving Indo-US relationship at the expense of the USSR. They can be expected to go all-out to stress repeatedly the positive aspects of Indo-Soviet ties.

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In the communique issued at the end of the visit, the Soviets can be expected to try to trap the Indian into accepting positions likely to set a bad tone for Gandhi's subsequent trip to the United States. The Indians are experienced at the politics of communiqes and, in our view, will manage to avoid most of the pitfalls.

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Gandhi, for his part, has stressed since coming to power that domestic issues are his first priority--reducing Hindu-Sikh tensions in Punjab, stimulating the economy, slowing population growth, and reforming education. So far, these issues--particularly the Sikh problem--have dominated his time. His foreign policy initiatives have been aimed almost exclusively at calming the fears of India's neighbors about New Delhi's intentions, probably so he can concentrate on domestic issues.

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